# **APPENDIX E**

Financial Projections

**APPENDIX E**

## PROJECTED FINANCIAL INFORMATION

The Debtors believe that the Plan meets the feasibility requirement set forth in Section 1129(a)(11) of the Bankruptcy Code, as confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors or any successor under the Plan. In connection with the development of the Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. The Debtors developed a business plan and prepared financial projections (the "Projections") for the period beginning September 1, 2010 through December 31, 2014 (the "Projection Period").

The Debtors prepared the Projections based upon, among other things, the anticipated future financial condition, results of operations, and tax attributes of the Debtors and the Reorganized Debtors. The Debtors do not, as a matter of course, publish their business plans or strategies, projections or anticipated financial position. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to holders of Claims or Interests or other parties in interest after the Confirmation Date.

In connection with the planning and development of the Plan, the Projections were prepared by the Debtors to present the anticipated impact of the Plan. The Projections assume that the Plan will be implemented in accordance with its stated terms. The Projections are based on forecasts of key economic variables and may be significantly impacted by, among other factors, changes in the economic and competitive environment, regulatory changes, and/or a variety of other factors, including those factors identified in the Plan and the Disclosure Statement. Accordingly, the estimates and assumptions underlying the Projections are inherently uncertain and are subject to significant business, economic, and competitive uncertainties. Therefore, such Projections, estimates, and assumptions are not necessarily indicative of current values or future performance, which may be significantly less or more favorable than set forth herein.

THE DEBTORS' MANAGEMENT DID NOT PREPARE THE PROJECTIONS TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR THE RULES AND REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. THE DEBTORS' INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE PROJECTIONS AND, ACCORDINGLY, DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE PROJECTIONS, ASSUME NO RESPONSIBILITY FOR THE PROJECTIONS, AND DISCLAIM ANY ASSOCIATION WITH THE PROJECTIONS. EXCEPT FOR PURPOSES OF THE DISCLOSURE STATEMENT, THE DEBTORS DO NOT PUBLISH PROJECTIONS OF THEIR ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS.

MOREOVER, THE PROJECTIONS CONTAIN CERTAIN STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE FEDERAL SECURITIES LAWS. STATEMENTS REGARDING FUTURE EVENTS AND DEVELOPMENTS AND THE DEBTORS' FUTURE PERFORMANCE, AS WELL AS MANAGEMENT'S EXPECTATIONS, BELIEFS, PLANS, ESTIMATES, OR PROJECTIONS RELATED TO THE FUTURE, ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SUCH LAWS. THESE FORWARD-LOOKING STATEMENTS INCLUDE AND MAY BE INDICATED BY WORDS OR PHRASES SUCH AS "ANTICIPATE," "ESTIMATE," "PLANS," "EXPECTS," "PROJECTS," "SHOULD," "BELIEVES," OR "INTENDS" AND SIMILAR WORDS OR PHRASES.

ALL FORWARD-LOOKING STATEMENTS, AS WELL AS THE DEBTORS' BUSINESS AND STRATEGIC INITIATIVES, ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM EXPECTED RESULTS. MANAGEMENT BELIEVES THESE FORWARD-LOOKING STATEMENTS ARE REASONABLE. HOWEVER, YOU SHOULD NOT PLACE UNDUE RELIANCE ON SUCH STATEMENTS. THESE STATEMENTS ARE BASED ON CURRENT EXPECTATIONS AND SPEAK ONLY AS OF THE DATE OF SUCH STATEMENTS. THE DEBTORS UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENT, WHETHER AS A RESULT OF FUTURE EVENTS, NEW INFORMATION OR OTHERWISE. ADDITIONAL INFORMATION CONCERNING THE RISKS AND UNCERTAINTIES THAT YOU MAY WISH TO CONSIDER ARE CONTAINED IN PART VIII OF THE DISCLOSURE STATEMENT ENTITLED "RISK FACTORS" AND THE SECTION ENTITLED "RISK FACTORS" IN RHI INC'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009 FILED WITH THE SEC ON MARCH 26, 2010.

THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET, AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE REORGANIZED DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS

CAN BE MADE, OR ARE MADE, AS TO THE ACCURACY OF THE PROJECTIONS OR TO THE REORGANIZED DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE DEBTORS PREPARED THE PROJECTIONS MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE DEBTORS AND THE REORGANIZED DEBTORS, AS APPLICABLE, DO NOT INTEND AND UNDERTAKE NO OBLIGATION TO UPDATE OR OTHERWISE REVISE THE PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE THE DISCLOSURE STATEMENT IS INITIALLY FILED OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. THEREFORE, THE PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS IN THE VOTING CLASSES MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS AND SHOULD CONSULT WITH THEIR OWN ADVISORS.

The Projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in the Disclosure Statement and the Plan in their entirety, and the historical consolidated financial statements (including the notes and schedules thereto) and other financial information set forth in RHI INC's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (a copy of which is attached to the Disclosure Statement as Exhibit [ ]) and other RHI INC reports to the SEC filed prior to the Bankruptcy Court's approval of the Disclosure Statement. These filings are available by visiting the SEC's website at http://www.sec.gov. The Projections were prepared in good faith based upon assumptions believed to be reasonable and applied in a manner consistent with past practice.

***Key Assumptions***

**A. General**

1. *Methodology*: The Projections are presented in a consolidated manner and include the financial performance of all Debtor entities. The Projections incorporate management's assumptions and initiatives, including the anticipated impact of new film productions, projected customer trends and cost savings initiatives. The Projections have been prepared by management and have not been reviewed or audited by an outside accounting firm. No assumption has been made with respect to fresh start accounting. The fiscal year 2010 results include actual results through August 2010 and projected results for the remainder of the fiscal year 2010. No cash receipts associated with MAT IV titles have been included in the Projections subsequent to fiscal year 2010. Additionally, the Projections assume a settlement agreement is reached with U.S. Bank. As such, no cash receipts associated with the films expected to be included in a potential settlement with U.S. Bank, nor any potential claims associated with these films, have been included in the Projections. With respect to a potential settlement with Powercorp, the Projections assume that the Reorganized Debtors will have cash receipts that equal the estimated amount owed by Powercorp through the Projected Period. However, the timing of the collection of these projected receipts has been delayed from what was originally been agreed to by Powercorp. The impact of a potential settlement could be to hasten the collection of these receipts, increase the amount of these receipts or both.

2. *Plan Consummation*: The operating assumptions assume that the Plan will be confirmed and become effective on or about January 31, 2011. Although the Debtors will endeavor to cause the Effective Date to occur as soon as practicable, there can be no assurance as to when, or whether, the Effective Date will actually occur. Any significant change in the assumed Effective Date of the Plan may materially impact the Debtors' ability to achieve the Projections.

3. *General Market Conditions*: The Projections take into account the market environment in which the Debtors currently operate.

4. *Tax Considerations*: Tax estimates are based on the preliminary results of the Debtors' tax analysis, which assumes that the Debtors' existing organizational structure, which includes an entity treated as a partnership for tax purposes, remains unchanged. As a result of the debt exchange contemplated under the Plan, the Debtors anticipate that their federal NOLs will be eliminated, and the tax basis of the assets held by the Debtors either will be reduced or otherwise subject to certain limitations on use.

**Pro Forma Emergence Consolidated Balance Sheet**

Below is a reconciliation of the pre-emergence consolidated balance sheet to the post-emergence consolidated balance sheet, taking into account the anticipated commencement of the Chapter 11 Case during mid to late November 2010 and assuming that the Plan is confirmed and becomes effective on or about January 31, 2011.

| Pro-Forma Emergence Consolidated Balance Sheet [1] | | | |
|---|---|---|---|
| *($ in thousands)* | **Pre-Transaction** | **Transaction** | **Post-Transaction** |
| | **Jan-11** | **Adjustments** | **Jan-11** |
| **Assets** | | | |
| Cash | $4,959 | $(3,459) | $1,500 |
| Accounts Receivable, Net [2] | 68,964 | (7,793) | 61,171 |
| Film Production Costs, Net | 421,681 | - | 421,681 |
| Prepaid And Other Assets, Net [3] | 12,668 | (6,411) | 6,257 |
| **Total Assets** | **$508,272** | **$(17,663)** | **$490,609** |
| | | | |
| **Liabilities And Shareholders' Equity** | | | |
| Accounts Payable And Accrued Liabilities [4] | $46,187 | $(36,813) | $9,373 |
| Accrued Film Production Costs [5] | 147,070 | (92,374) | 54,696 |
| Debt [6] | 612,556 | (309,880) | 302,676 |
| Deferred Revenue | 19,986 | (1,371) | 18,616 |
| **Total Liabilities** | **$825,799** | **$(440,438)** | **$385,361** |
| | | | |
| Shareholders' Equity | ($317,527) | $422,775 | $105,248 |
| **Total Liabilities And Shareholders' Equity** | **$508,272** | **$(17,663)** | **$490,609** |

Notes:

(1) Subject to final negotiations w ith respect to certain potential claims (e.g. MAT IV)

(2) Adjustments to accounts receivable, net reflect the w rite-off of accounts receivable associated w ith spillover films settlements

(3) Adjustments to prepaid and other assets, net, reflect the w rite-off of the existing deferred financing costs and the capitalization of the estimated deferred financing costs for the Exit Revolving Credit Facility and the New Second Lien Term Loan Facility

(4) Adjustments to accounts payable and accrued liabilities reflect the w rite-off of existing accrued interest

(5) Adjustments to accrued film production costs reflect the w rite-off of film production costs associated w ith spillover films settlements and the reduction of accrued participations and residuals to reflect amounts expected to be due and ow ing upon emergence from bankruptcy

(6) Adjustments to debt reflect the w rite-off of pre-petition debt, the issuance of $300 million of New Second Lien Term Loan Facility and the projected borrow ing of approximately $3 million from the Exit Revolving Credit Facility on the assumed Effective Date

**Projected Consolidated Balance Sheets (Unaudited)**

Below are management's projections of the consolidated financial positions (exclusive of any adjustments that may be necessary as a result of applying "fresh start accounting" upon emergence) as of the end of each fiscal year ending December 31, 2010 through December 31, 2014.

| Consolidated Balance Sheet | | | | | |
|---|---|---|---|---|---|
| *($ in thousands)* | Projected FY 2010 | Projected FY 2011 | Projected FY 2012 | Projected FY 2013 | Projected FY 2014 |
| Cash | $5,825 | $4,486 | $13,049 | $24,129 | $24,727 |
| Accounts Receivable, Net (1) | 75,460 | 70,364 | 64,181 | 65,899 | 68,609 |
| Film Production Costs, Net (2) | 419,126 | 389,836 | 357,382 | 315,587 | 274,539 |
| Prepaid And Other Assets, Net (3) | 13,159 | 5,885 | 5,199 | 4,514 | 4,513 |
| **Total Assets** | **$513,570** | **$470,571** | **$439,812** | **$410,129** | **$372,388** |
| **Liabilities And Shareholders' Equity** | | | | | |
| Accounts Payable And Accrued Liabilities (4) | $47,040 | $9,235 | $8,235 | $7,235 | $7,235 |
| Accrued Film Production Costs (5) | 150,239 | 49,594 | 45,424 | 42,094 | 39,190 |
| Debt | 609,171 | 294,000 | 267,500 | 236,078 | 197,951 |
| Deferred Revenue | 20,017 | 12,019 | 11,413 | 10,544 | 10,486 |
| **Total Liabilities** | **$826,467** | **$364,848** | **$332,572** | **$295,950** | **$254,862** |
| Shareholders' Equity | ($312,898) | $105,723 | $107,240 | $114,178 | $117,526 |
| **Total Liabilities And Shareholders' Equity** | **$513,570** | **$470,571** | **$439,812** | **$410,129** | **$372,388** |

Notes

(1) Adjustments to accounts receivable, net in FY 2011 reflect the w rite-off of accounts receivable associated w ith spillover films settlements

(2) The decline of film production costs, net over time represents the amortization of the acquired film library and the net impact of new production (new spending less amortization of costs)

(3) Adjustments to prepaid and other assets in FY 2011 reflect the w rite-off of the existing deferred financing costs and the capitalization of the estimated deferred financing costs for the Exit Revolving Credit Facility and the New Second Lien Term Loan Facility

(4) Adjustments to accounts payable and accrued liabilities in FY 2011 reflect the w rite-off of existing accrued interest

(5) Adjustments to accrued film production costs in FY 2011 reflect the w rite-off of film production costs associated w ith spillover films settlements and the reduction of accrued participations and residuals to reflect amounts expected to be due and ow ing upon emergence from bankruptcy

**Key Assumptions**

(a) *Accounts Receivable* – Accounts Receivable projections are based on the collection of forecasted contracted accounts receivable and the generation of new contracted accounts receivable from library revenue and production revenue. The Projections generally assume that cash collection of new library sales occurs proportionately over a period of three years, while the collection of new production sales can vary between three and seven years. The region in which the production is sold and the type of production affect the timing of production collections.

(b) *Film Production Costs* – Film Production Costs projections are based on the capitalization of costs related to new production and the amortization of film costs in accordance with FASB ASC 926-20-35. Film Production Costs include costs incurred for the acquisition and development of story rights, production related overhead expenses, interest related to film production costs and residuals and participations.

(c) *Accounts Payable and Accrued Liabilities* – Accounts Payable and Accrued Liabilities projections are based on the timing difference between the recognition of interest, selling, general and administrative expenses and the payment of interest, selling, general and administrative costs.

(d) *Accrued Film Production Costs* – Accrued Film Production Costs projections are based on the historical timing difference between the recognition of film production expenses and the payment of film production costs.

(e) *Debt* – Projected debt balances assume a $25 million Exit Revolving Credit Facility, of which approximately $3 million is projected to be drawn on the Effective Date and the issuance of debt under the $300 million of New Second Lien Term Loan Facility. The Projections assume the New Second Lien Term Loan Facility will have required annual amortization of $6.0 million in fiscal year 2011, $26.5 million in fiscal year 2012 and $25.0 million in fiscal year 2013, in addition to an annual excess cash flow sweep of 75%. The Projections also assume that the Reorganized Debtors are able to successfully refinance the Exit Revolving Credit Facility and the New Second Lien Term Loan Facility on similar terms before both facilities mature in December 2013.

**Projected Consolidated Income Statements (Unaudited)**

Below is the Debtors' projection of consolidated income during the Projection Period.

| Consolidated Income Statement | | | | | |
|---|---|---|---|---|---|
| *($ in thousands)* | **Projected FY 2010** | **Projected FY 2011** | **Projected FY 2012** | **Projected FY 2013** | **Projected FY 2014** |
| **Revenue** | | | | | |
| Production Revenue | $27,507 | $54,745 | $56,986 | $68,087 | $73,216 |
| Library Revenue | 54,086 | 74,062 | 81,943 | 92,072 | 97,159 |
| **Total Revenue** | **$81,593** | **$128,807** | **$138,929** | **$160,160** | **$170,375** |
| Cost of Sales | (61,772) | (89,607) | (97,197) | (111,195) | (118,077) |
| **Gross Profit** | **$19,821** | **$39,200** | **$41,731** | **$48,964** | **$52,298** |
| *% of revenue* | *24%* | *30%* | *30%* | *31%* | *31%* |
| Selling, General & Administrative Expenses [1] | $(26,330) | $(20,795) | $(20,705) | $(21,432) | $(22,180) |
| *% of revenue* | *32%* | *16%* | *15%* | *13%* | *13%* |
| Interest Expense, Net [2] | $(39,335) | $(15,613) | $(15,988) | $(14,238) | $(12,210) |
| Income Tax Provision | (648) | (1,700) | (2,021) | (4,856) | (13,061) |
| **Non-Recurring Items** | | | | | |
| Restructuring-Related Expenses [3] | (21,424) | (5,995) | (1,500) | (1,500) | (1,500) |
| Severance Expense | (3,666) | - | - | - | - |
| Other [4] | (9,815) | 423,525 | - | - | - |
| **Net Income** | **$(81,397)** | **$418,621** | **$1,517** | **$6,939** | **$3,348** |
| *% of revenue* | *(100%)* | *325%* | *1%* | *4%* | *2%* |
| **Net Income [5]** | **$(46,492)** | **$(709)** | **$3,017** | **$8,439** | **$4,848** |
| *% of revenue* | *(57%)* | *(1%)* | *2%* | *5%* | *3%* |
| **Operating Income [5]** | **$(6,509)** | **$16,604** | **$21,026** | **$27,532** | **$30,119** |
| *% of revenue* | *(8%)* | *13%* | *15%* | *17%* | *18%* |
| **EBITDA [5]** | **$(5,271)** | **$16,899** | **$21,283** | **$27,798** | **$30,392** |
| *% of revenue* | *(6%)* | *13%* | *15%* | *17%* | *18%* |
| **Adjusted EBITDA [5][6]** | **$20,179** | **$33,718** | **$49,568** | **$66,263** | **$68,536** |
| *% of revenue* | *25%* | *26%* | *36%* | *41%* | *40%* |

Notes:

(1) Excludes $7.9 million of bad debt expense in FY 2010

(2) Incorporates the forw ard USD LIBOR sw ap curve as of October 22, 2010 for periods w hen the USD LIBOR forw ard rate is greater than the 2% LIBOR Floor in the Exit Revolving Credit Facility and New Second Lien Term Loan Facility term sheets

(3) Restructuring-related expenses for FY 2011 - FY 2014 include $1.5 million per year of anticipated costs associated w ith the Company's Strategic Planning Officer

(4) Includes an estimate of Cancellation of Debt Income ("CODI") and other one-time charges

(5) Excludes non-recurring items

(6) Adjusted for amortization of film production costs, additions to film production costs and increases in accrued film production costs

**Key Assumptions**

(a) *Revenue* – The Debtors' revenue projections are based on a detailed analysis of the Debtors' major film production types in its key markets (U.S., Germany, Italy, U.K., Australia, Spain, France and the rest of the world). The Debtors' revenue projections are comprised of the production revenue ("Production Revenue") and the library revenue ("Library Revenue")

- Production Revenue refers to revenue generated from the licensing of rights to the new slate of films produced by the Debtors during the first cycle after the initial delivery of films to customers. The Debtors' Production Revenue is projected to grow at a compound annual growth rate of 21.6% during the Projection Period due to an expected increase in the number of new film productions each year, from 14 in fiscal year 2010 to 20 in fiscal year 2014. Future production agreements that designate the Reorganized Debtors as agent, distributor or owner of future productions may significantly impact the amount of Production Revenue that the Reorganized Debtors can recognize in accordance with GAAP. From fiscal year 2011 to fiscal year 2014, the Projections assume that the Reorganized Debtors are the owner of future productions.
- Library Revenue refers to revenue generated from the licensing of rights to films following the first cycle after the initial delivery of films to customers. The Debtors' Library Revenue is projected to grow at a compound annual growth rate of 12.4% during the Projection Period due to expected organic growth from the existing library sales and increased marketing efforts.

Based on historical experience, the Debtors' revenue projections assume that a significant portion of the films developed by the Debtors is delivered to their customers during the second half of each year. Actual timing of film deliveries during the year throughout the Projection Period may have a significant impact on revenue.

The Debtors' revenue projections also assume a general rebound in the media sector during the Projection Period.

(b) *Cost of Sales* – Cost of sales projections include distribution and marketing costs associated with bringing a film to market and amortization of film production costs (acquired film library and new production) in accordance with FASB ASC 926-20-35. Film production costs include costs incurred for the acquisition and development of story rights, production related overhead expenses, interest related to film production costs and residuals and participations. Residuals and participations represent contingent compensation payable to parties associated with the film including producers, writers, directors or actors. The Debtors' cost of sales is projected to remain at approximately 70% of projected revenue throughout the Projection Period, consistent with historical experience. However, the Debtors may be required to restate film production costs to fair value in accordance with the fresh-start reporting requirements under the AICPA Statement of Position 90-7 (SOP 90-7), which may affect projected amortization expense.

(c) *Selling, General and Administrative ("SG&A") Expenses* – SG&A expenses include, among other things, salaries, wages, commissions, benefits, corporate overhead, rent, leases, marketing and other activities. SG&A expenses are projected to decline from approximately 32% of revenue in fiscal year 2010 to approximately 16% of revenue in fiscal year 2011 and to approximately 13% of revenue in fiscal year 2014. The projected decrease in 2011 compared to 2010 is primarily due to the substantial cost-cutting initiatives implemented by the Debtors during 2009 and 2010. The reduction of SG&A expenses throughout the Projection Period is primarily due to anticipated implementation of additional cost saving initiatives and improved operating leverage of the business.

(d) *Share-Based Compensation Expense* – The Projection Period does not include any potential share-based compensation expense that may be incurred as a result of the New Management Incentive Plan.

(e) *Tax Considerations* – Tax estimates are based on the preliminary results of the Debtors' tax analysis, which assumes that the Debtors' existing organizational structure, which includes an entity treated as a partnership for tax purposes, remains unchanged. As a result of the debt exchange contemplated under the Plan, the Debtors anticipate that their federal NOLs will be eliminated, and the tax basis of the assets held by the Debtors either will be reduced or otherwise subject to certain limitations on use.

(f) *EBITDA and Adjusted EBITDA* – The Debtors' EBITDA represents net income before net interest expense, income tax (benefit) expense, depreciation of fixed assets, amortization of intangible assets, share-based compensation, bad debt expense, non-recurring costs and expenses, film production cost impairment charges and financing-related expenses. Adjusted EBITDA represents EBITDA before amortization of film production costs and reduction of capitalized film production costs net of changes in accrued film production costs during the applicable period. The Debtors deduct capitalized film production costs net of changes in accrued film production costs because film production costs represent a material aspect of the Debtors' ongoing operating performance. EBITDA and Adjusted EBITDA are not measurements of financial performance under GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of liquidity.

**Projected Consolidated Statement of Cash Flows (Unaudited)**

Below is Debtors' projection of consolidated cash flow during the Projection Period.

**Consolidated Statement of Cash Flows**

| *($ in thousands)* | Projected FY 2010 | Projected FY 2011 | Projected FY 2012 | Projected FY 2013 | Projected FY 2014 |
|---|---|---|---|---|---|
| **Cash Flow from Operating Activities** | | | | | |
| Net Income (Loss) | $(81,397) | $418,621 | $1,517 | $6,939 | $3,348 |
| Depreciation and Amortization of Fixed Assets | 158 | 250 | 258 | 265 | 273 |
| Amortization of Film Production Costs | 58,489 | 83,983 | 90,879 | 104,393 | 110,717 |
| Share-Based Compensation (1) | 693 | - | - | - | - |
| Amortization of Deferred Debt Financing Costs | 3,379 | 910 | 685 | 685 | 1 |
| Amortization of Intangible Assets | 1,080 | 45 | - | - | - |
| CODI | - | (349,370) | - | - | - |
| *Change in Operating Assets and Liabilities* | | | | | |
| Changes in Accounts Receivable (2) | 9,757 | 5,095 | 6,183 | (1,718) | (2,710) |
| Increase in Prepaid and Other Assets (3) | 240 | 6,319 | - | - | - |
| Additions to Film Production Costs | (16,383) | (54,693) | (58,425) | (62,598) | (69,669) |
| Increase in Accounts Payable and Accrued Liabilities (4) | 25,430 | (37,805) | (1,000) | (1,000) | (0) |
| *Adjustment for accrued interest cancellation* | - | 36,813 | - | - | - |
| Increase in Accrued Film Production Costs (5) | (16,656) | (100,645) | (4,170) | (3,330) | (2,904) |
| Increase in Deferred Revenue (6) | (2,844) | (7,998) | (607) | (869) | (58) |
| **Net Cash Used in Operating Activities** | **$(19,295)** | **$1,526** | **$35,321** | **$42,767** | **$38,998** |
| **Cash Flow from Investing Activities** | | | | | |
| Additions to Plant, Property & Equipment | - | (250) | (258) | (265) | (273) |
| **Net Cash Used in investing Activities** | **$-** | **$(250)** | **$(258)** | **$(265)** | **$(273)** |
| **Cash Flow from Financing Activities** | | | | | |
| Borrowing from Revolving Credit Facility | - | 16,491 | 4,681 | - | 5,294 |
| Repayment of Revolving Credit Facility | - | (16,491) | (4,681) | - | (5,294) |
| Issuance of Debt | - | 3,385 | - | - | - |
| Repayment of Debt | - | (6,000) | (26,500) | (31,422) | (38,127) |
| **Net Cash Provided (Used) By Financing Activities** | **$-** | **$(2,615)** | **$(26,500)** | **$(31,422)** | **$(38,127)** |
| Cash, Beginning of Period | $25,120 | $5,825 | $4,486 | $13,049 | $24,129 |
| Change in Cash | (19,295) | (1,339) | 8,563 | 11,080 | 598 |
| **Cash, End of Period** | **$5,825** | **$4,486** | **$13,049** | **$24,129** | **$24,727** |

Note:

(1) The Projection Period does not include any potential share-based compensation expense that may be incurred as a result of the New Management Incentive Plan

(2) Adjustments to changes in accounts receivable in FY 2011 reflect the write-off of accounts receivable associated with spillover films settlements

(3) Adjustments to increase in prepaid and other assets in FY 2011 reflect the write-off of the existing deferred financing costs and the capitalization of the estimated deferred financing costs for the Exit Revolving Credit Facility and the New Second Lien Term Loan Facility

(4) Adjustments to increase in accounts payable and accrued liabilities in FY 2011 reflect the write-off of existing accrued interest

(5) Adjustments to increase in accrued film production costs in FY 2011 reflect the write-off of film production costs associated with spillover films settlements and the write-off of accrued participations

(6) FY 2010 and FY 2011 operating cash flows include costs associated with the reorganization (i.e. professional fees, severance, etc.) that are non-recurring in nature

**Key Assumptions**

(a) *Additions To Film Production Costs* – The Debtors project Additions to Film Production Costs of approximately $262 million during the Projection Period, representing an average of $52 million per year during the five-year period. This amount reflects an expected increase in the number of productions, from 14 in fiscal year 2010 to 20 in fiscal year 2014.

(b) *Debt* – The Projections assume that the Debtors are able to successfully refinance the Exit Financing facilities on similar terms before both facilities mature in December 2013.